

Financial Strategy

Cash Allocation

The third medium-term management plan assumes cumulative operating cash flow of ¥120 billion over the three-year period plan. In principle, DCM's policy is to use cash flow generated by our business activities for investments in growth. The Company also intends to use debt as needed to achieve both investment in growth and shareholder returns.

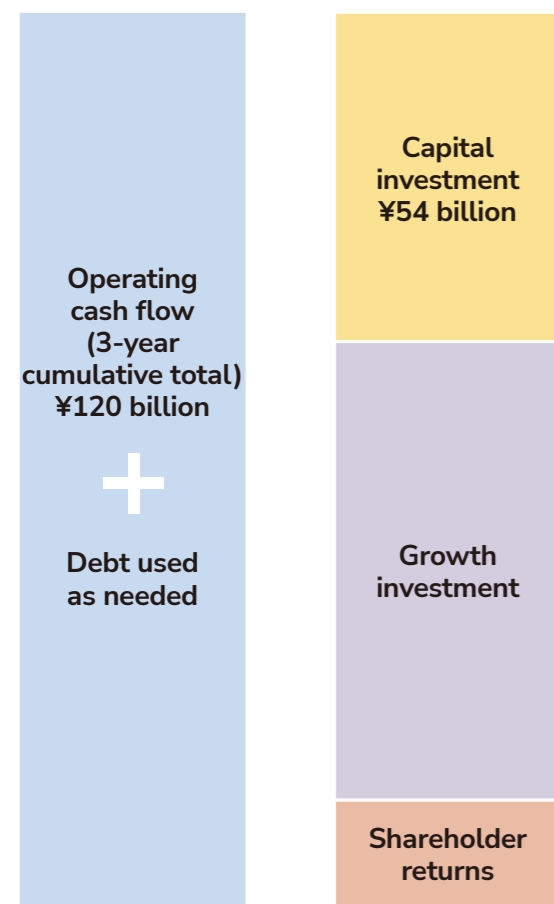
Capital investment

With regard to capital investment during the third medium-term management plan, in addition to plans to open 52 new stores, including those in the Pro Shop Hodaka and DCM Nicot formats, we plan to renovate 223 existing stores to clarify and optimize the role of each store size. We forecast investing ¥39 billion to execute this store strategy.

Additionally, DCM Holdings has budgeted investment of ¥15 billion in systems and logistics. This investment includes reducing tasks at stores, streamlining logistics and head office operations to pursue even lower cost operations as well as that for expanding EC shipping locations and app development to build and strengthen DCM's unique BOPIS business model.

Growth investments and shareholder returns

In the third medium-term management plan, we intend to proactively consider and implement expansion of the home improvement center business or M&A in business fields where growth is projected in the future, to promote the enhancement of corporate value. Meanwhile, we have set the minimum dividends at ¥6.0 billion for a single year and ¥18.0 billion cumulatively, assuming the dividend level is maintained at that of final year of the second medium-term management plan. We intend to consider share buybacks in a dynamic manner, taking into account the potential for investment in growth, such as M&A, while balancing medium- to long-term improvement of corporate value and the improvement of capital efficiency.



Capital investment

Item	Billions of yen	
	Medium-term management plan period	
New store and remodeling investment	39	(13)
System and logistics-related investment	15	(5)
Total	54	(18)

Figures in parentheses represent single-year capital investment projections.

Growth investment and shareholder returns

Item	Billions of yen	
	Medium-term management plan period	
Growth investment (M&A, etc.)	50~100	
Share buybacks		
Dividends	18(6)	

Figures in parentheses indicate projected dividends for a single fiscal year.
 * Dividends shown are the minimum amount that would be paid if the level of dividends in the final year of the second third medium-term management plan is maintained.

Shareholder Return Policy

DCM Holdings' policy is to determine the annual dividend with a target payout ratio of 35%. At the same time, we would like to aim for a dividend payout ratio of 40% in the future, with a view to continuously increasing dividends in line with profit growth.

The Company's policy is to consider flexible implementation of share buybacks with a view to maintaining and improving capital efficiency while sustaining financial soundness (measured by the equity ratio and other indicators) for sustainable growth.

The acquired treasury shares will be held at approximately 5% of the total number of shares issued and outstanding to prepare for future strengthening of the business base including M&A and utilization through stock options, and similar measures. As general rule, any surplus shares will be cancelled.

Dividends

- Decided to aim for an annual dividend payout ratio of 35%
- Continue to increase dividends in line with profit growth, aiming for a payout ratio of 40% in the future

Share buyback policy

- Continue to consider flexible share buybacks with a view to improving capital efficiency
- Hold approximately 5% of total shares issued and outstanding, and cancel any surplus (consider using for M&A, etc.)

